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Resolution No. 1424

BOARD OF DIRECTORS
OF
UNION SANITARY DISTRICT

Resolution No. 1424

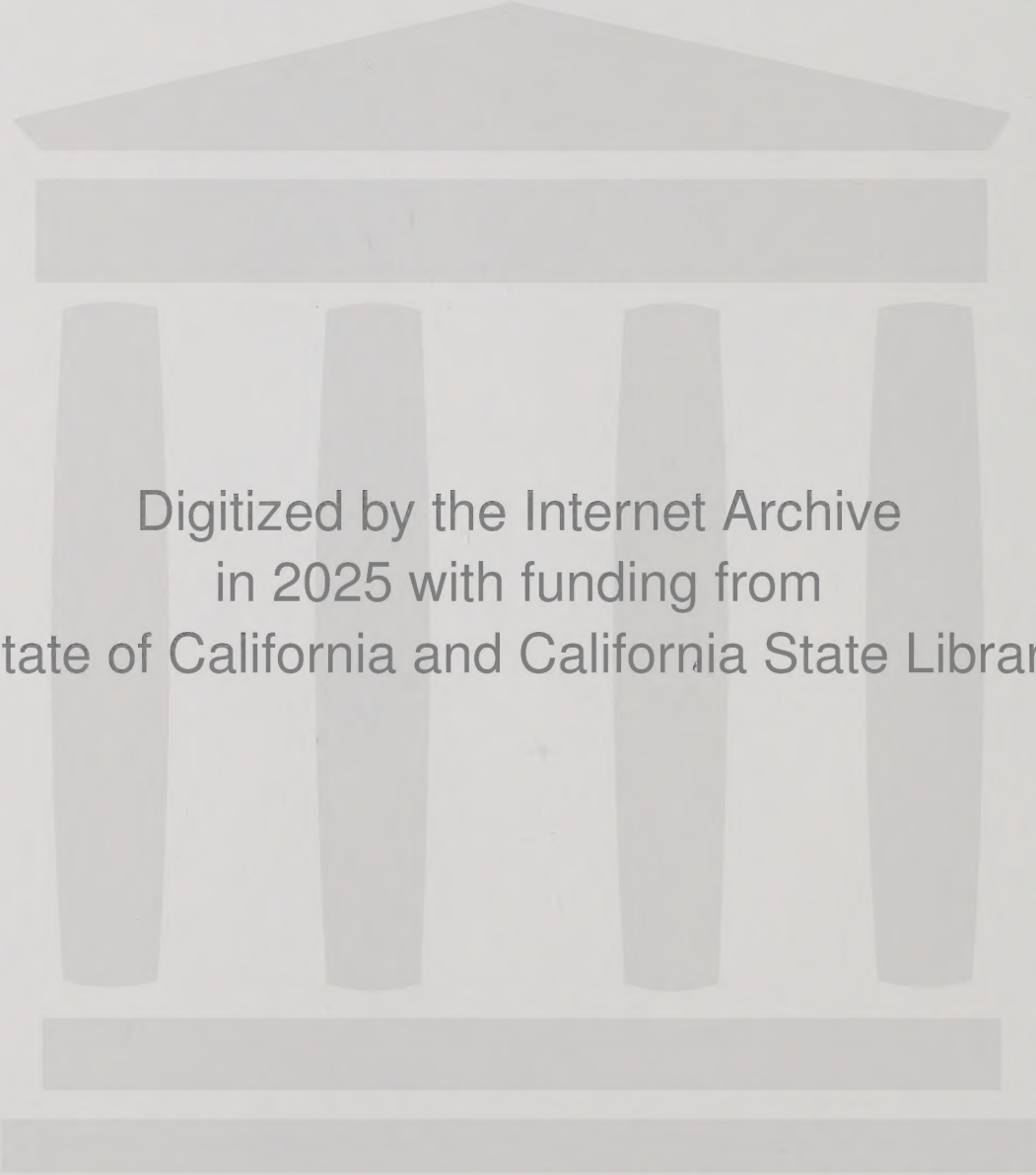
A Resolution of the Board of Directors
of Union Sanitary District Providing for the
Issuance of Union Sanitary District
Sewer Revenue Bonds
(General Resolution)

Adopted August 14, 1978

INSTITUTE OF GOVERNMENTAL
STUDIES

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TABLE OF CONTENTS

	Page
Recitals	1
ARTICLE I—Definitions; Equal Security.....	1
Section 1.01. Definitions	1
Section 1.02. Equal Security.....	7
ARTICLE II—Authorization and Issuance of Bonds.....	8
Section 2.01. Authorization and Designation of Bonds.....	8
Section 2.02. General Conditions for the Issuance of Bonds....	8
Section 2.03. Special Condition for the Issuance of Construction Bonds.....	10
Section 2.04. Special Condition for the Issuance of Refunding Bonds.....	11
Section 2.05. Procedure for the Issuance of Bonds.....	12
Section 2.06. Bond Funds.....	13
ARTICLE III—Terms and Provisions of Bonds.....	14
Section 3.01. Terms of Bonds	14
Section 3.02. Execution of Bonds.....	15
Section 3.03. Transfer of Coupon Bonds.....	16
Section 3.04. Registration of Coupon Bonds.....	16
Section 3.05. Transfer of Fully Registered Bonds.....	17
Section 3.06. Exchange of Bonds.....	18
Section 3.07. Bond Registration Books.....	18
Section 3.08. Mutilated, Destroyed, Stolen or Lost Bonds.....	18
Section 3.09. Temporary Bonds	19
ARTICLE IV—Redemption of Bonds.....	19
Section 4.01. Privilege of Redemption of Bonds.....	19
Section 4.02. Selection of Bonds for Redemption.....	20

TABLE OF CONTENTS

	Page
Section 4.03. Notice of Redemption	20
Section 4.04. Partial Redemption of Fully Registered Bonds . . .	21
Section 4.05. Effect of Redemption	21
Section 4.06. Disposition of Redeemed Bonds	22
ARTICLE V—Revenues and Accounts	22
Section 5.01. Pledge of Net Revenues and Other Funds; Revenue Fund	22
Section 5.02. Receipt and Deposit of Revenues	22
Section 5.03. Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues . . .	23
Section 5.04. Deposit and Investment of Money in Funds and Accounts	26
ARTICLE VI—Covenants of the District	27
Section 6.01. Punctual Payment	27
Section 6.02. Against Encumbrances	27
Section 6.03. Against Sale or Other Disposition of Property . . .	27
Section 6.04. Acquisition and Construction of Additions, Betterments, Extensions and Improvements to the Enterprise	28
Section 6.05. Maintenance and Operation of the Enterprise . . .	28
Section 6.06. Payment of Claims	28
Section 6.07. Insurance	29
Section 6.08. Books and Accounts; Financial Statements	30
Section 6.09. Protection of Security and Rights of Holders . . .	31
Section 6.10. Against Competitive Facilities	31
Section 6.11. Payment of Taxes, Etc.	31
Section 6.12. Collection of Charges	32
Section 6.13. Eminent Domain Proceeds	32
Section 6.14. Amount of Charges	33
Section 6.15. Further Assurances	34

TABLE OF CONTENTS

	Page
ARTICLE VII—The Fiscal Agent and the Paying Agents.....	34
Section 7.01. The Fiscal Agent.....	34
Section 7.02. The Paying Agents.....	35
Section 7.03. Liability of Agents.....	36
Section 7.04. Notice to Agents.....	36
ARTICLE VIII—Amendment of the Resolution.....	37
Section 8.01. Amendment by Consent of Holders.....	37
Section 8.02. Disqualified Bonds	38
Section 8.03. Endorsement or Replacement of Bonds After Amendment	38
Section 8.04. Amendment by Mutual Consent.....	38
ARTICLE IX—Events of Default and Remedies of Holders	39
Section 9.01. Events of Default and Acceleration of Maturities.	39
Section 9.02. Application of Funds Upon Acceleration.....	40
Section 9.03. Other Remedies of Holders	40
Section 9.04. Non-waiver	41
Section 9.05. Actions by Fiscal Agent as Attorney-in-Fact....	41
Section 9.06. Remedies Not Exclusive.....	42
ARTICLE X—Defeasance	42
Section 10.01. Discharge of Indebtedness.....	42
Section 10.02. Unclaimed Money	44
ARTICLE XI—Miscellaneous	44
Section 11.01. Liability of District Limited to Net Revenues....	44
Section 11.02. Validity of Bonds.....	45
Section 11.03. Benefits of the Resolution Limited to Parties....	45
Section 11.04. Successor is Deemed Included in All References to Predecessor	45

TABLE OF CONTENTS

	Page
Section 11.05. Content of Certificates and Opinions.....	46
Section 11.06. Execution of Documents by Holders.....	46
Section 11.07. Waiver of Personal Liability.....	47
Section 11.08. Publication for Successive Weeks.....	48
Section 11.09. Partial Invalidity	48
Section 11.10. Destruction of Cancelled Bonds.....	48
Section 11.11. Article and Section Headings and References...	48
Section 11.12. Funds and Accounts	49
Section 11.13. Repeal of Inconsistent Resolutions.....	49
Section 11.14. Effective Date of the Resolution.....	49
Secretary's Certificate	50

RESOLUTION NO. 1424**A Resolution of the Board of Directors of Union Sanitary District Providing for the Issuance of Union Sanitary District Sewer Revenue Bonds****(General Resolution)**

WHEREAS, Union Sanitary District now owns and operates a sewer system; and

WHEREAS, the Board of Directors of Union Sanitary District has determined that the public interest and necessity do now require and may in the future further require the acquisition and construction of additions, betterments, extensions or improvements to such sewer system; and

WHEREAS, the Board of Directors of Union Sanitary District has determined to finance the cost of such additions, betterments, extensions or improvements by the issuance of sewer revenue bonds, as authorized by law;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Union Sanitary District as follows:

ARTICLE I**DEFINITIONS; EQUAL SECURITY**

SECTION 1.01. *Definitions.* Unless the context otherwise requires, the terms defined in this section shall for all purposes of the Resolution and of any Supplemental Resolution and of the Bonds and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified.

Accountant's Certificate

The term "Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant.

Aggregate Annual Debt Service

The term "Aggregate Annual Debt Service" means, for any twelve-month period, the sum of the amounts of Annual Debt Service for such period for all Series of Bonds then Outstanding.

Annual Debt Service

The term "Annual Debt Service" means, for any twelve-month period for any Series of Bonds, the sum of (1) the interest falling due during such period on the Bonds of such Series, assuming that all Serial Bonds of such Series are retired as scheduled and that all Term Bonds of such Series are redeemed from sinking fund accounts as scheduled (except to the extent that such interest is to be paid from an amount deposited from the proceeds of sale of the Bonds of such Series), (2) the principal amount of Serial Bonds of such Series falling due by their terms during such period, and (3) the minimum amount of Term Bonds of such Series required to be paid or called and redeemed during such period, together with the redemption premiums, if any, thereon.

Board of Directors

The term "Board of Directors" means the Board of Directors of the District.

Bonds

The term "Bonds" means all sewer revenue bonds executed by the District and delivered by the Fiscal Agent pursuant to the Resolution and all Supplemental Resolutions. The term "Serial Bonds" means Bonds for which no minimum sinking fund account payments are provided. The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from minimum sinking fund account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Certificate of the District

The term "Certificate of the District" means an instrument in writing signed by the President, or by any other officer of the District duly authorized by the Board of Directors for that purpose, and by the Secretary, with the seal of the District affixed.

District

The term "District" means Union Sanitary District, a sanitary district duly organized and existing under the Sanitary District Act of 1923, being Division 6, Part 1 (Sections 6400 *et seq.*) of the Health and Safety Code of the State of California, and all laws amendatory thereof and supplemental thereto.

Engineer's Certificate

The term "Engineer's Certificate" means a certificate or opinion signed by a Qualified Independent Engineer.

Enterprise

The term "Enterprise" means the whole and each and every part of the existing sewer system of the District, comprising all facilities for the collection, treatment and disposal of sewage, together with all additions, betterments, extensions and improvements to such sewer system or any part thereof hereafter acquired or constructed, and including the interest of the District in the facilities of the East Bay Dischargers Authority.

Federal Securities

The term "Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or other evidences of indebtedness secured by the full faith and credit of the United States of America; obligations issued pursuant to the Federal Home Loan Bank Act or the National Housing Act; obligations issued by federal intermediate credit banks, federal land banks and banks for cooperatives; and also any securities now or hereafter authorized both the interest on and principal of which are guaranteed directly or indirectly by the full faith and credit of the United States of America, as and to the extent that such securities are eligible for the legal investment of District funds.

Financial Newspaper

The term "Financial Newspaper" means *The Wall Street Journal* or *The Daily Bond Buyer*, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Fiscal Agent, whose decision shall be final and conclusive.

Fiscal Agent

The term "Fiscal Agent" means the principal office of Wells Fargo Bank, N.A. in San Francisco, California, appointed by the District in Section 7.01 and acting as an independent trustee with the duties and powers herein provided, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

Fiscal Year

The term "Fiscal Year" means the period commencing on July 1 of

each year and terminating on the next succeeding June 30, or any other annual accounting period applicable to the District.

Generally Accepted Accounting Principles

The term "Generally Accepted Accounting Principles" means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

Holder

The term "Holder" means any person who shall be the bearer of any Outstanding coupon Bond that is not registered or that is registered to bearer or the registered owner of any Outstanding coupon Bond that is registered as to interest and principal or the registered owner of any Outstanding fully registered Bond.

Independent Certified Public Accountant

The term "Independent Certified Public Accountant" means any certified public accountant or firm of such accountants appointed and paid by the District and satisfactory to and approved by the Fiscal Agent (who shall be under no liability by reason of such approval), and who, or each of whom—

- (i) is in fact independent and not under the domination of the District;
- (ii) does not have any substantial interest, direct or indirect, with the District; and
- (iii) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

Law

The term "Law" means the Revenue Bond Law of 1941, being Title 5, Division 2, Part 1, Chapter 6 (Sections 54300 *et seq.*) of the Government Code of the State of California, and all laws amendatory thereof and supplemental thereto.

Maintenance and Operation Costs of the Enterprise

The term "Maintenance and Operation Costs of the Enterprise" means the reasonable and necessary costs spent or incurred by the District for main-

taining and operating the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the Enterprise in good repair and working order, and including all reasonable and necessary administrative costs of the District attributable to the Enterprise and the Bonds, such as salaries and wages of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of the Fiscal Agent and the Paying Agents and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Bonds or of the Resolution, but excluding depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Maximum Aggregate Annual Debt Service

The term "Maximum Aggregate Annual Debt Service" means the Aggregate Annual Debt Service as computed for the year ending October 1 in which such sum is the largest.

Net Revenues

The term "Net Revenues" means, for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs of the Enterprise during such period.

Outstanding

The term "Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.02) all Bonds except—

- (1) Bonds theretofore cancelled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed and issued by the District and delivered by the Fiscal Agent pursuant to the Resolution and all Supplemental Resolutions in accordance with Sections 3.08 or 8.03.

Paying Agent

The term "Paying Agent" means any bank or trust company designated

by the District as a paying agent for the Bonds of any Series, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in Section 7.02.

President

The term "President" means the President of the Board of Directors.

Qualified Independent Engineer

The term "Qualified Independent Engineer" means any registered civil engineer or firm of registered civil engineers generally recognized to be well qualified in engineering matters relating to sewer systems, appointed and paid by the District and satisfactory to and approved by the Fiscal Agent (who shall be under no liability by reason of such approval), and who, or each of whom—

- (i) is in fact independent and not under the domination of the District;
- (ii) does not have any substantial interest, direct or indirect, with the District; and
- (iii) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

Resolution

The term "Resolution" means this Resolution No. 1424, adopted by the Board of Directors on August 14, 1978 under the Law, as originally adopted or as it may from time to time be supplemented or amended by any Supplemental Resolution adopted pursuant to the provisions hereof.

Revenues

The term "Revenues" means all gross income and revenue received or receivable by the District from the ownership and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges received by the District for Sewer Service and all other income and revenue howsoever derived by the District from the Enterprise or arising from the Enterprise, and including all sums required by Section 5.04 to be deposited in the Revenue Fund, but excluding refundable deposits made to establish credit and advances or contributions in aid of construction and connection fees or other payments of a similar nature.

Secretary

The term "Secretary" means the Secretary of the Board of Directors.

Series

The term "Series" means all of the Bonds designated as being of the same Series delivered in a simultaneous transaction in accordance with Article II, and any Bonds thereafter delivered in lieu thereof or in substitution thereof in accordance with Sections 3.08 or 8.03.

Sewer Service

The term "Sewer Service" means the sewage collection, treatment and disposal service made available or provided by the Enterprise.

Supplemental Resolution

The term "Supplemental Resolution" means any resolution then in full force and effect which has been duly adopted by the Board of Directors under the Law at a meeting of the Board of Directors duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to the Resolution; but only if and to the extent that such Supplemental Resolution is specifically authorized hereunder.

Treasurer

The term "Treasurer" means the Treasurer of the District.

Written Request of the District

The term "Written Request of the District" means an instrument in writing signed by the President, or by any other officer of the District duly authorized by the Board of Directors for that purpose, and by the Secretary, with the seal of the District affixed.

SECTION 1.02. *Equal Security.* In consideration of the acceptance of the Bonds by the Holders thereof, the Resolution shall be deemed to be and shall constitute a contract between the District and the Holders from time to time of the Bonds and the interest coupons appertaining thereto; and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal and proportionate benefit, security and protection of all Holders of the Bonds and the interest coupons appertaining thereto without preference, priority or distinction as to security or otherwise of any

of the Bonds or interest coupons over any of the others by reason of the Series thereof or the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.01. *Authorization and Designation of Bonds.* Bonds designated as "Sewer Revenue Bonds" are hereby authorized to be issued by the District under the Resolution. The maximum principal amount of the Bonds which may be issued hereunder is not limited; subject, however, to the right of the District, which is hereby reserved, to limit or restrict the aggregate principal amount of the Bonds which may at any time be issued or Outstanding hereunder. Bonds may be issued in one or more Series as from time to time shall be established and authorized by the District, pursuant to one or more Supplemental Resolutions. The designation of the Bonds shall include, in addition to the name "Sewer Revenue Bonds," such further appropriate particular designation added to or incorporated in such title for the Bonds of each Series as the District may determine, and each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

SECTION 2.02. *General Conditions for the Issuance of Bonds.* The District may at any time issue a Series of Bonds payable from the Net Revenues and other funds as herein provided and secured by a lien and charge upon the Net Revenues and such other funds equal to the lien and charge securing the Bonds theretofore or thereafter issued hereunder, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Series of Bonds:

(a) The District shall be in compliance with all covenants set forth in the Resolution and in all Supplemental Resolutions theretofore adopted by the Board of Directors, and a Certificate of the District to that effect shall have been filed with the Fiscal Agent.

(b) The issuance of such Series of Bonds shall have been duly authorized pursuant to the Law, and the issuance of such Series of Bonds shall have been provided for by a Supplemental Resolution duly adopted by the Board of Directors which shall specify the following:

(1) The purpose for which such Series of Bonds is to be issued, including a provision requiring the proceeds of such Series of Bonds to be applied solely for either (i) the purpose of the acquisition and construction of additions, betterments, extensions or improvements to the Enterprise, including payment of costs incidental to or connected with such acquisition and construction, or (ii) the purpose of refunding any Series of Bonds, including payment of costs incidental to or connected with such refunding;

(2) The authorized principal amount and Series designation of such Series of Bonds, and provisions for the issuance of such Series of Bonds as coupon Bonds, registrable as to interest and principal only, or as such coupon Bonds and as fully registered Bonds;

(3) The date and the maturity date or dates of the Bonds of such Series, provided that (i) no maturity date shall be earlier than one year after the date of the Bonds of such Series, (ii) each maturity date shall fall upon October 1, (iii) all the Bonds of such Series of like maturity shall be identical in all respects, except as to number (unless fully registered Bonds of such Series are authorized, in which case the Bonds of such Series may also vary as to denomination and may be in either coupon or fully registered form), and (iv) fixed serial maturities or mandatory minimum sinking fund account payments, or any combination thereof, shall be established to provide for the retirement of all of the Bonds of such Series on or before their respective maturity dates;

(4) The interest payment dates for the Bonds of such Series, provided that the interest payment dates shall be April 1 and October 1 of each year, except that the first such interest payment date may be up to, or may be, but shall not be more than, one year following the date of the Bonds of such Series;

(5) The denomination or denominations and method of numbering of the Bonds of such Series;

(6) The Paying Agent or Paying Agents, if any, and the place or places of payment of the interest on and principal of and redemption premiums, if any, on the Bonds of such Series;

(7) The redemption premiums, if any, and, subject to Article IV, the redemption terms, if any, for the Bonds of such Series;

(8) The amount and due date of each sinking fund account payment, if any, for the Bonds of such Series;

(9) The amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Interest Account;

(10) The amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Bond Reserve Account;

(11) The amount to be deposited from the proceeds of sale of such Series of Bonds in the applicable Bond Fund;

(12) The form or forms of the Bonds of such Series and of the coupons to be attached to the coupon Bonds of such Series; and

(13) Such other provisions as are necessary or appropriate and not inconsistent with the Resolution.

SECTION 2.03. *Special Condition for the Issuance of Construction Bonds.* One or more Series of Bonds may be issued and delivered from time to time in such principal amount for each such Series as is determined by the District for the purpose of paying the cost of the acquisition and construction of additions, betterments, extensions or improvements to the Enterprise, including payment of costs incidental to or connected with such acquisition and construction, but only (except for the initial Series of Bonds issued under the Resolution) subject to the following specific condition which is hereby made a condition precedent to the issuance of any such Series of Bonds:

The audited Net Revenues for the last Fiscal Year preceding the date of the adoption by the Board of Directors of the Supplemental Resolution providing for the issuance of such Series of Bonds, as shown by an Accountant's Certificate on file with and approved by the Fiscal Agent (who shall be under no liability by reason of such approval); plus

(i) An allowance for Net Revenues for such Fiscal Year from any additions, betterments, extensions or improvements to the Enterprise to be made with the proceeds of such Series of Bonds or with the proceeds of any Bonds previously issued, and also for Net Revenues from any such additions, betterments, extensions or improvements which have been made from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to seventy-five per cent (75%) of the estimated additional average annual Net Revenues to be derived from such additions, betterments, extensions or improvements for the first thirty-six (36) months in which each such addition, betterment, extension or improvement is respectively to be in operation, all as shown by an Engineer's Certificate on file with and approved

by the Fiscal Agent (who shall be under no liability by reason of such approval); and

(ii) An allowance for earnings arising from any increase in the rates, fees and charges fixed and prescribed for Sewer Service which became effective prior to the issuance of such Series of Bonds but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to seventy-five per cent (75%) of the amount by which the Net Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such Fiscal Year, as shown by an Engineer's Certificate on file with and approved by the Fiscal Agent (who shall be under no liability by reason of such approval);

shall have produced a sum equal to at least 1.25 times the Maximum Aggregate Annual Debt Service on all then Outstanding Bonds and such Series of Bonds.

SECTION 2.04. *Special Condition for the Issuance of Refunding Bonds.* One or more Series of Bonds may be issued and delivered from time to time in such principal amount for each such Series as is determined by the District for the purpose of refunding any Series of Bonds, including payment of costs incidental to or connected with such refunding, but only subject to the following specific condition which is hereby made a condition precedent to the issuance of any such Series of Bonds:

The audited Net Revenues for the last Fiscal Year preceding the date of adoption by the Board of Directors of the Supplemental Resolution providing for the issuance of such Series of Bonds, as shown by an Accountant's Certificate on file with and approved by the Fiscal Agent (who shall be under no liability by reason of such approval); plus

(i) An allowance for Net Revenues for such Fiscal Year from any additions, betterments, extensions or improvements to the Enterprise to be made with the proceeds of any Bonds previously issued, and also for Net Revenues from any such additions, betterments, extensions or improvements which have been made from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to seventy-five per cent (75%) of the estimated additional average annual Net Revenues to be derived from such additions, betterments, extensions or improvements for the first thirty-six (36) months in which each

such addition, betterment, extension or improvement is respectively to be in operation, all as shown by an Engineer's Certificate on file with and approved by the Fiscal Agent (who shall be under no liability by reason of such approval); and

(ii) An allowance for earnings arising from any increase in the rates, fees and charges fixed and prescribed for Sewer Service which became effective prior to the issuance of such Series of Bonds but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to seventy-five per cent (75%) of the amount by which the Net Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such Fiscal Year, as shown by an Engineer's Certificate on file with and approved by the Fiscal Agent (who shall be under no liability by reason of such approval);

shall have produced a sum equal to at least 1.25 times the Maximum Aggregate Annual Debt Service on all then Outstanding Bonds (except the Series of Bonds to be refunded) and such Series of Bonds.

SECTION 2.05. *Procedure for the Issuance of Bonds.* All (but not less than all) of the Bonds of each Series shall be executed by the District for issuance under the Resolution and delivered to the Fiscal Agent and thereupon shall be delivered upon the Written Request of the District, but only upon receipt by the Fiscal Agent of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of such delivery by the Fiscal Agent (unless the Fiscal Agent shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Resolution authorizing the issuance of the Bonds of such Series;

(2) A Written Request of the District as to the delivery of the Bonds of such Series;

(3) An opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that (a) the District has the right and power under the Law to adopt the Resolution and all Supplemental Resolutions thereto, and the Resolution and all such Supplemental Resolutions have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization

and other similar laws relating to the enforcement of creditors' rights), and no other authorization for the Resolution and all such Supplemental Resolutions is required; (b) the Resolution creates the valid pledge which it purports to create of the Revenues and other funds as provided in the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (c) the Bonds of such Series are valid and binding special obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Resolution and all such Supplemental Resolutions and entitled to the benefits of the Resolution and all such Supplemental Resolutions and the Law, and the Bonds of such Series have been duly and validly issued in accordance with the Law and the Resolution and all such Supplemental Resolutions;

(4) A Certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Resolution;

(5) The amount, if any, for deposit in the Bond Reserve Account so that immediately after the issuance of the Bonds of such Series there shall be on deposit in such account an amount at least equal to the Maximum Aggregate Annual Debt Service on all Outstanding Bonds (including such Series of Bonds) or such larger amount as may be required to be maintained on deposit in the Bond Reserve Account by any Supplemental Resolution; and

(6) Such further documents, money and securities as are required by the provisions of the Supplemental Resolution providing for the issuance of such Series of Bonds.

SECTION 2.06. *Bond Funds.* There shall be established for each Series of Bonds a separate fund in the treasury of the District, with each such fund to be lettered alphabetically with the letter designation of the Series of Bonds for which it is established and to be known as the "Union Sanitary District Sewer Revenue Bonds, Series ____ Bond Fund," all of which such funds the District hereby covenants to establish and maintain, and all of which such funds shall collectively be known as the "Bond Funds." The Treasurer shall pay into the fund established for each Series of Bonds the amount required to be paid therein by the provisions of the Supplemental Resolution authorizing such Series of Bonds, and the amount in such fund shall be

applied to the purpose specified in the Supplemental Resolution authorizing the Series of Bonds for which such fund was established; provided that any remaining amount in such fund, after completion of such purpose, shall be deposited in the Revenue Fund.

ARTICLE III

TERMS AND PROVISIONS OF BONDS

SECTION 3.01. *Terms of Bonds.*

(a) The interest on and principal of and redemption premiums, if any, on the Bonds of each Series shall be payable in lawful money of the United States of America at the office of the Fiscal Agent. In the case of coupon Bonds of each Series, such interest, principal and redemption premiums shall also be payable, at the option of the Holder thereof, at the office of each Paying Agent specified in the Supplemental Resolution authorizing the issuance of such Series of Bonds.

(b) The Bonds of each Series shall be issued as coupon Bonds in such denomination as may be authorized by the Supplemental Resolution authorizing the issuance of the Bonds of such Series, registrable as to interest and principal only, or as such coupon Bonds and as fully registered Bonds in denominations of the authorized denomination of coupon Bonds of such Series or any integral multiple thereof, and shall be numbered as may be authorized by such Supplemental Resolution. The interest coupons attached to the coupon Bonds shall be numbered in consecutive numerical order from 1 upward in the order of their respective maturities. The fully registered Bonds shall be dated as of the date of the coupon Bonds of the same Series. Each fully registered Bond of any Series shall bear interest from the interest payment date next preceding the date of registration thereof unless it is registered as of an interest payment date, in which event it shall bear interest from the date thereof, or unless it is registered prior to the first interest payment date, in which event it shall bear interest from its date, or unless, as shown by the records of the Fiscal Agent, interest on the Bonds of such Series shall be in default, in which event it shall bear interest from the date to which interest has been paid in full.

(c) Each Bond shall recite, in substance, that it is payable solely from the Net Revenues and other funds of the District pledged for the payment thereof; that the general fund of the District is not liable, and the full faith and credit or taxing power of the District is not pledged, for the payment of

the interest on or principal of or redemption premiums, if any, on the Bonds; and that the Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the District or any of its income or receipts, except the Net Revenues and such other funds. The Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the District prior to the delivery thereof.

(d) From and after the issuance of the Bonds of any Series, the findings and determinations of the Board of Directors respecting that Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any such Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance, or to the application of the purchase price paid for such Bonds. The validity of the issuance of any Series of the Bonds shall not be dependent on or affected in any way by (i) any proceedings taken by the District for the acquisition or construction of any additions, betterments, extensions or improvements to the Enterprise, or (ii) any contracts made by the District in connection therewith, or (iii) the failure to complete the acquisition or construction of any such addition, betterment, extension or improvement to the Enterprise. The recital contained in the Bonds that the same are issued pursuant to the Law shall be conclusive evidence of their validity and of the regularity of their issuance and all the Bonds shall be incontestable from and after their issuance. Bonds shall be deemed to be issued, within the meaning of the Resolution, whenever the definitive Bonds, or any temporary Bonds exchangeable therefor, have been delivered to the purchasers thereof, and the purchase price thereof received, or in the case of Bonds to be refunded through exchange, whenever such exchange has been made.

SECTION 3.02. *Execution of Bonds.*

(a) The Bonds shall be signed on behalf of the District by the manual or facsimile signatures of the President and the Treasurer and attested by the manual signature of the Secretary, and the seal of the District shall be thereunto affixed by the Secretary, which seal may be by a facsimile of the District's seal which is imprinted upon the Bonds. In case any officer who shall have signed or attested any of the Bonds shall cease to be such officer before the

Bonds so signed and attested shall have been delivered to the purchaser by the Fiscal Agent, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the District as though such person who signed or attested the same had continued to be such officer of the District. Also, any Bond may be signed or attested on behalf of the District by any person who on the actual date of the execution of such Bond shall be the proper officer of the District, although on the nominal date of such Bond such person shall not have been such officer of the District.

(b) The coupons to be annexed to the coupon Bonds shall bear the facsimile signature of the Treasurer and the District may use for that purpose the facsimile signature of any person who shall have been such officer, notwithstanding the fact that he may have ceased to be such officer at the time when any of the coupon Bonds shall be delivered or issued.

SECTION 3.03. *Transfer of Coupon Bonds.* All coupon Bonds shall be negotiable instruments transferable by delivery, unless registered as to interest and principal in the manner provided in Section 3.04. The District, the Fiscal Agent and any Paying Agent may treat the bearer of any coupon Bond which is not at the time registered as to interest and principal, and the bearer of any coupon of any such Bond, as the absolute owner of such Bond, or coupon, as the case may be, for the purpose of receiving payment thereof and for all other purposes, and neither the District, the Fiscal Agent nor any Paying Agent shall be affected by any notice or knowledge to the contrary, whether such Bond or coupon shall be overdue or not.

SECTION 3.04. *Registration of Coupon Bonds.* Upon presentation of any coupon Bond to the Fiscal Agent at its office for such purpose by the Holder thereof, the Fiscal Agent will cut off and hold in safekeeping the coupons attached to such Bond and will register on the books required to be kept pursuant to the provisions of Section 3.07, in the name of the Holder or his nominee, the ownership of such Bond, such registration being noted on such Bond. After such registration and notation, no transfer of any such coupon Bond shall be valid unless made on said books at the request of the registered owner or by his duly authorized attorney and similarly noted on such Bond. The addresses appearing in said books shall be deemed to be for all purposes the addresses of the registered owners, and the person in whose name any coupon Bond is registered shall be deemed the owner thereof for all purposes hereof, and the Fiscal Agent shall pay interest to such owner by check mailed to such owner at his address appearing in said books and shall pay to such owner or his legal assignee the principal of any registered coupon Bond upon

presentation and surrender of such Bond at maturity or upon the prior redemption thereof. All such payments shall be valid and effectual to satisfy and discharge liability for interest on and principal of such coupon Bond to the extent of the sum or sums to paid.

The registered owner of any registered coupon Bond may at any time (provided such Bond shall not have been called for redemption) present such Bond to the Fiscal Agent and request the discharge from registration of such Bond, in which event the Fiscal Agent shall cancel the registration of such Bond by registering the same to bearer and shall attach thereto coupons for all unmatured interest thereon, together with any matured interest in default.

All transfers, registrations and discharges from registration of coupon Bonds shall be without expense to the Holder, except that any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting the transfer, registration or discharge from registration as a condition precedent to the exercise of such privilege and except that the Fiscal Agent may require of such Holder such cash adjustment as may be necessary with respect to the first coupon next to mature on each coupon Bond that is discharged from registration so that no gain or loss of interest shall result from such discharge from registration. All transfers, registrations and discharges from registration shall be made under such reasonable regulations as the Fiscal Agent may prescribe.

SECTION 3.05. *Transfer of Fully Registered Bonds.* Any fully registered Bond may be transferred upon the books required to be kept pursuant to the provisions of Section 3.07 by the person in whose name it is registered, or by his duly authorized attorney, upon surrender of such fully registered Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond shall be issued under the Resolution as a fully registered Bond, there shall be reserved by the Fiscal Agent unissued an aggregate principal amount of coupon Bonds, of the same Series and maturity and of the authorized denomination of such coupon Bonds, equal to the principal amount of such fully registered Bond, and in such case the serial number or numbers of the coupon Bond or Bonds so reserved, together with an appropriate statement as to such reservation, shall be endorsed on such fully registered Bond. Whenever any fully registered Bond or Bonds shall be surrendered for transfer, the District shall execute and deliver a new fully registered Bond or Bonds for like aggregate principal amount, which shall have endorsed thereon the same coupon Bond serial number or numbers. The Fiscal Agent shall require the payment

by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

SECTION 3.06. *Exchange of Bonds.* Fully registered Bonds may be exchanged at the office of the Fiscal Agent for a like aggregate principal amount of coupon Bonds of the same Series and maturity (or for a like aggregate principal amount of fully registered Bonds of the same Series and maturity of other authorized denominations), and coupon Bonds may be exchanged at the office of the Fiscal Agent for a like aggregate principal amount of fully registered Bonds of the same Series and maturity of authorized denominations. All coupon Bonds surrendered for exchange and delivered in exchange shall have attached thereto all unmatured coupons appertaining thereto (together with any matured coupons in default appertaining thereto). All coupon Bonds surrendered for exchange shall be retained in safekeeping by the Fiscal Agent until such Bonds are needed for a later exchange. The Fiscal Agent shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No such exchange shall be required to be made during the fifteen (15) days preceding each interest payment date.

SECTION 3.07. *Bond Registration Books.* The Fiscal Agent will keep at its office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer Bonds on said books as hereinbefore provided.

SECTION 3.08. *Mutilated, Destroyed, Stolen or Lost Bonds.* In case any Bond shall become mutilated in respect of the body of such Bond or the coupons, if any, appertaining thereto, or shall be believed by the District to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the District and upon the surrender of such mutilated Bond with its coupons, if any, at the office of the Fiscal Agent, or upon the receipt of evidence satisfactory to the District of such destruction, theft or loss, and upon receipt also of indemnity satisfactory to the District, and upon payment of all expenses incurred by the District in the premises, the District shall execute and deliver at said office a duplicate Bond or Bonds of the same maturity and for the same aggregate principal amount, with the coupons, if any, appertaining thereto, of like tenor and date, bearing the same number or numbers, with such notations as the District shall determine, in exchange and substitution for and upon cancellation of the mutilated Bond and its coupons, if any, or in lieu of and

in substitution for the Bond and its coupons, if any, so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured, payment of the amount due thereon may be made by the District upon receipt of like proof, indemnity and payment of expenses.

Any such duplicate Bonds or coupons issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the District and the Fiscal Agent shall not be required to treat both the original Bond and any duplicate Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and duplicate Bond shall be treated as one and the same.

SECTION 3.09. *Temporary Bonds.* Any Series of Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or type-written, shall be of such denominations as may be determined by the District, shall be without coupons and may contain such reference to any of the provisions of the Resolution as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the office of the Fiscal Agent, and the Fiscal Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive coupon Bonds or definitive fully registered Bonds of authorized denominations of the same Series and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Resolution as definitive Bonds issued pursuant to the Resolution and all Supplemental Resolutions.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. *Privilege of Redemption of Bonds.* Any Series of Bonds subject to redemption prior to maturity pursuant to a Supplemental Resolution shall be redeemable, upon notice being given as provided in this article, at such times, upon payment of such redemption premiums, if any,

and upon such terms (in addition to and consistent with the terms contained in this article) as may be specified in the Supplemental Resolution authorizing the issuance of the Bonds of such Series.

SECTION 4.02. *Selection of Bonds for Redemption.* If less than all of the Bonds of any Series maturing on any single date are called for redemption, the Fiscal Agent shall select the Bonds to be redeemed, from the Outstanding Bonds of such Series maturing on such date not previously called for redemption, by lot in such manner as the Fiscal Agent shall deem appropriate and fair. The Fiscal Agent shall promptly notify the District in writing of the numbers of the Bonds selected for redemption.

SECTION 4.03. *Notice of Redemption.* The Fiscal Agent shall cause notice of any redemption to be published once a week for two successive weeks (the first publication to be not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption) in a Financial Newspaper of general circulation in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in each city in which a Paying Agent has been appointed for the Bonds of such Series to be redeemed. Such notice shall state the redemption date and the redemption price and shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption, and shall require that such Bonds be surrendered at the office of the Fiscal Agent or at the office of any Paying Agent for the Bonds of such Series for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date. If any of the serial numbers so chosen shall be the serial numbers of coupon Bonds then reserved against Outstanding fully registered Bonds, such notice shall specify the respective serial numbers of such reserved coupon Bonds, and if the serial numbers of all the coupon Bonds reserved against any particular fully registered Bond shall not have been chosen so that less than the whole of the principal of such fully registered Bond shall be redeemable, such notice shall also state that such fully registered Bond is to be redeemed in part and that upon the presentation of such fully registered Bond for redemption there will be issued in lieu of the unredeemed portion of the principal thereof a new Bond or Bonds of the same Series and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, which new Bond or Bonds may be, at the option of the registered owner of such fully registered Bond redeemed in part, either a coupon Bond or Bonds or a fully registered Bond or Bonds.

A similar notice shall be mailed by the Fiscal Agent to the original purchaser of such Bonds, or if such original purchaser is a syndicate, to the manager or managers of said syndicate, and to the respective registered owners of any coupon Bonds that have been registered as to interest and principal or of any fully registered Bonds designated for redemption at their addresses appearing on the registration books in the office of the Fiscal Agent, at least thirty (30) but not more than sixty (60) days prior to the redemption date, but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice of redemption shall be so published and mailed by the Fiscal Agent upon receipt of a Written Request of the District (which request shall be given to the Fiscal Agent at least sixty (60) days prior to the date fixed for redemption), but only after the District shall have deposited with or otherwise made available to the Fiscal Agent the moneys required for payment of the redemption price of all Bonds then to be called for redemption, together with the estimated expense of giving such notice.

SECTION 4.04. *Partial Redemption of Fully Registered Bonds.* Upon surrender of any fully registered Bond redeemed in part only, the District shall execute and deliver to the registered owner thereof, at the expense of the District, a new Bond or Bonds of the same Series and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, which new Bond or Bonds may be, at the option of the registered owner, either a coupon Bond or Bonds or a fully registered Bond or Bonds.

SECTION 4.05. *Effect of Redemption.* If notice of redemption has been duly given as aforesaid, and money for payment of the principal and redemption premiums, if any, of, together with interest to the redemption date on the Bonds so called for redemption is held by the Fiscal Agent, then such Bonds shall, on the redemption date designated in such notice, become due and payable, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, the coupons for interest thereon maturing subsequent to the redemption date shall be void and Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal and redemption premiums, if any, thereof and interest accrued thereon to the redemption date. All unpaid interest installments represented by coupons which shall have matured on or prior to the date of

redemption designated in such notice shall continue to be payable to the bearers severally and respectively upon the presentation and surrender of such coupons.

SECTION 4.06. *Disposition of Redeemed Bonds.* All Bonds redeemed pursuant to the provisions of this article and the appurtenant coupons, if any, shall be cancelled by the Fiscal Agent and surrendered to the District and shall not be reissued.

ARTICLE V

REVENUES AND ACCOUNTS

SECTION 5.01. *Pledge of Net Revenues and Other Funds; Revenue Fund.*

(a) All of the Net Revenues and all money on deposit in each of the accounts established by Sections 5.03(2), (3), (4) and (5) are hereby irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Net Revenues and such other funds shall not be used for any other purpose while any of the Bonds remain Outstanding; *except* that out of the Net Revenues and such other funds there may be apportioned such sums, for such purposes, as are expressly permitted by Section 5.03. This pledge shall constitute a first and exclusive lien on the Net Revenues and such other funds for the payment of the Bonds in accordance with the terms hereof and thereof.

(b) All of the Revenues, together with any interest earned thereon, shall, so long as any Bonds shall be Outstanding hereunder, be deposited as received by the District in the "Union Sanitary District Sewer System Revenue Fund" (hereinafter called the "Revenue Fund"), which fund is hereby created and which fund the District hereby covenants and agrees to maintain so long as any Bonds shall be Outstanding hereunder.

SECTION 5.02. *Receipt and Deposit of Revenues.* The District covenants and agrees that all Revenues, when and as received, will be received and held by the District in trust hereunder and will be deposited by the District in the Revenue Fund and will be accounted for through and held in trust in the Revenue Fund, and the District shall only have such beneficial right or

interest in any of such money as in the Resolution provided, except that the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for Sewer Service, which such Sewer Service was not thereafter made available or provided. All such Revenues, whether held by the District as trustee or deposited with the Fiscal Agent as trustee, all as herein provided, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes hereinafter in this article set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

SECTION 5.03. *Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues.* All Revenues in the Revenue Fund shall be set aside by the District in the treasury of the District or deposited by the District with the Fiscal Agent in the following respective special accounts within the Revenue Fund (each of which is hereby created and each of which the District hereby covenants and agrees to maintain or cause to be maintained), in the following order of priority:

- (1) Maintenance and Operation Account (held by the District),
- (2) Interest Account (held by the Fiscal Agent),
- (3) Principal Account (held by the Fiscal Agent),
- (4) Bond Reserve Account (held by the Fiscal Agent), and
- (5) Surplus Account (held by the District).

All Revenues in each of such accounts shall be held in trust by the District or the Fiscal Agent and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(1) *Maintenance and Operation Account.* On the date of issuance of the initial Series of Bonds under the Resolution, the District shall, from other available funds of the District, deposit in the Maintenance and Operation Account a sum at least equal to the amount required by the District for the payment of budgeted Maintenance and Operation Costs of the Enterprise during the period commencing on such date and continuing through January 31, 1979, and thereafter, on or before the first day of each month, the District shall, from money in the Revenue Fund, deposit in the Maintenance and Operation Account a sum equal to the amount required by the District for the payment of budgeted Maintenance and Operation Costs of the Enterprise during such month. If no budget has yet been prepared for such month,

such deposit shall be of a sum equal to the amount expended by the District for the payment of Maintenance and Operation Costs of the Enterprise for the same calendar month in the next preceding year. Money in the Maintenance and Operation Account shall be used only to pay Maintenance and Operation Costs of the Enterprise as they become due and payable.

(2) *Interest Account.* On or before the fifteenth day of each March and September, beginning in March, 1979, the District shall, from money in the Revenue Fund, deposit with the Fiscal Agent in the Interest Account an amount of Revenues equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date.

No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due on the next interest payment date upon all Outstanding Bonds.

All money in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(3) *Principal Account.* On or before the fifteenth day of each March and September, beginning in March, 1979, the District shall, from money in the Revenue Fund, deposit with the Fiscal Agent in the Principal Account an amount of Revenues equal to (a) one-half ($\frac{1}{2}$) of the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds on the next succeeding October 1, plus (b) one-half ($\frac{1}{2}$) of the aggregate amount of the minimum annual sinking fund account payments required by all Supplemental Resolutions to be made during the year ending on the next succeeding October 1 into the respective sinking fund accounts for all Term Bonds for which sinking fund accounts shall have been established, all of which said sinking fund account payments shall be made without priority of any sinking fund account payment into any one such sinking fund account over any other sinking fund account payment into any other such sinking fund account. In the event that there shall be insufficient Revenues to make in full all such principal payments and sinking fund account payments required to be made at any one time, then such Revenues shall be applied pro rata to the making of such principal payments and such sinking fund account

payments in that proportion which such principal payments and sinking fund account payments bear to each other.

No deposit need to be made into the Principal Account so long as there shall be in such account (i) money sufficient to pay the principal of all outstanding Serial Bonds maturing by their terms on the next succeeding October 1 plus (ii) the aggregate of all minimum annual sinking fund account payments required to be made during the year ending on the next succeeding October 1.

All money in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the principal of and redemption premiums, if any, on the Bonds as they shall become due and payable, except that any money in any sinking fund account shall be used and withdrawn by the Fiscal Agent only to purchase or to redeem Term Bonds for which such sinking fund account was created, as provided in any Supplemental Resolution.

(4) *Bond Reserve Account.* On or before the fifteenth day of each March and September, beginning in March, 1979, the District shall, from money in the Revenue Fund, deposit with the Fiscal Agent in the Bond Reserve Account such amount of Revenues as shall be required to restore the Bond Reserve Account to a sum equal to the Maximum Aggregate Annual Debt Service on all Outstanding Bonds, or such larger amount as may be required to be maintained on deposit in the Bond Reserve Account by any Supplemental Resolution.

No deposit need be made into the Bond Reserve Account so long as there shall be in the Bond Reserve Account a sum equal to at least the amount required by this paragraph to be on deposit therein.

If on any October 1, beginning in October, 1979, the amount in the Bond Reserve Account exceeds the sum required by the above paragraph to be on deposit therein and if the District is not then in default hereunder, the Fiscal Agent shall withdraw the amount of any such excess from such account and shall pay such amount to the District, for deposit in the Surplus Account. Except for such withdrawals, all money in the Bond Reserve Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of replenishing the Interest Account or the Principal Account, in such order, in the event of any deficiency in either of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the District is available therefor.

(5) *Surplus Account.* All money remaining in the Revenue Fund on October 1 of each year (except for an amount equal to the budgeted Maintenance and Operation Costs of the Enterprise for the four-month period ending on the next succeeding January 31, money for the payment of which is not then on deposit in the Maintenance and Operation Account), after withdrawing all of the sums required to be withdrawn therefrom by the District by the provisions of Sections 5.03(1), (2), (3) and (4) hereof, shall be deposited by the District in the Surplus Account. Money in the Surplus Account shall be used as and when needed to eliminate any deficiency which may exist at any time in any of the accounts established by Sections 5.03(1), (2), (3) and (4) in such order, and may be expended by the District at any time to pay Maintenance and Operation Costs of the Enterprise, or to pay costs of replacements, renewals and repairs of facilities of the Enterprise, or to pay costs of acquisition and construction of any additions, betterments, extensions or improvements to the Enterprise, or to pay principal of or interest on general obligation bonds of the District issued for the Enterprise, or to make any required repayments of state or federal grants received for the Enterprise. On the September 30 following each such October 1 deposit into the Surplus Account, any balance remaining therein shall be withdrawn therefrom and deposited in the District's General Fund for expenditure for any lawful purpose of the District.

SECTION 5.04. *Deposit and Investment of Money in Funds and Accounts.* All money held by the District or the Fiscal Agent in the funds or accounts established pursuant to the Resolution shall be held in time or demand deposits in any bank or trust company authorized to accept deposits of public funds, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except such money as is at the time invested in accordance with this section. Money in the Interest Account or in the Principal Account may, and at the direction of the District, shall be invested by the Fiscal Agent, and money in the Bond Funds or in the Revenue Fund or in the Maintenance and Operation Account may, and at the direction of the District, shall be invested by the Treasurer in Federal Securities maturing prior to the date on which such money is estimated to be required to be paid out hereunder. Money in the Bond Reserve Account may, and at the direction of the District, shall be invested by the Fiscal Agent in Federal Securities maturing not more than five years from the date of purchase by the Fiscal Agent, and money in the Surplus Account may,

and at the direction of the District, shall be invested by the Treasurer in any lawful investment. All interest received on any money so invested shall be deposited in the Revenue Fund.

The District covenants with the Holders that it will make no use of the proceeds of the Bonds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 103(c) of the Internal Revenue Code of 1954. To that end, so long as any of the Bonds are Outstanding, the District, with respect to the proceeds of the Bonds, shall comply with all requirements of said Section 103(c) and all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

ARTICLE VI

COVENANTS OF THE DISTRICT

SECTION 6.01. *Punctual Payment.* The District will punctually pay or cause to be paid the interest on and principal of and redemption premiums, if any, to become due with respect to all the Bonds in strict conformity with the terms of the Bonds and of the Resolution and all Supplemental Resolutions, and will faithfully observe and perform all of the conditions, covenants and requirements of the Bonds and of the Resolution and all Supplemental Resolutions.

SECTION 6.02. *Against Encumbrances.* The District will not mortgage or otherwise encumber, pledge or place any charge upon the Enterprise or any part thereof, or upon any of the Net Revenues, except as provided in the Resolution.

SECTION 6.03. *Against Sale or Other Disposition of Property.* The District will not sell, lease or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues except as herein expressly permitted. The District will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the interest on and principal of and redemption premiums, if

any, on the Bonds, or which would otherwise impair the rights of the Holders with respect to the Net Revenues or the operation of the Enterprise. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has worn out, may be sold at not less than the market value thereof without the consent of the Holders if such sale will not reduce Net Revenues and if all of the net proceeds of such sale are deposited in the Revenue Fund.

SECTION 6.04. *Acquisition and Construction of Additions, Betterments, Extensions and Improvements to the Enterprise.* The District will acquire and construct the additions, betterments, extensions and improvements to the Enterprise to be financed with the proceeds of the Bonds with all practicable dispatch, and such additions, betterments, extensions and improvements will be made in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

SECTION 6.05. *Maintenance and Operation of the Enterprise.* The District will maintain and preserve the Enterprise in good repair and working order at all times from the Revenues available for such purpose, and will operate the Enterprise in an efficient and economical manner.

The District will file with the Treasurer and the Fiscal Agent, on or before the day on which the initial Series of Bonds issued pursuant to the Resolution is delivered, a budget setting forth the estimated Maintenance and Operation Costs of the Enterprise for the period from such date until the close of the then current Fiscal Year. On or before the first day of each Fiscal Year thereafter, the District will file with the Treasurer and the Fiscal Agent a budget setting forth the estimated Maintenance and Operation Costs of the Enterprise for such Fiscal Year.

SECTION 6.06. *Payment of Claims.* The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Revenues or any part thereof, or upon any funds in the hands of the District, the Treasurer, the Fiscal Agent or any Paying Agent prior or superior to the lien of the Bonds, or which might impair the security of the Bonds.

SECTION 6.07. *Insurance.*

(a) The District will procure and maintain insurance on the Enterprise with responsible insurers in such amounts and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in connection with similar enterprises, which such insurance shall be in an amount at least sufficient to enable the District to retire all Outstanding Bonds.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be deposited by the District in the Revenue Fund.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all Outstanding Bonds, the District may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Enterprise, and thereupon such proceeds, together with a Written Request of the District as appropriate, shall be delivered to the Fiscal Agent and applied by it to redeem or purchase all Outstanding Bonds, in the manner specified in Section 6.13.

(b) The District will procure and maintain adequate fidelity insurance or bonds on all officers and employees of the District handling or responsible for any Revenues or funds of the Enterprise, such insurance or bonds to be in an aggregate amount at least equal to one-half ($\frac{1}{2}$) of the Maximum Aggregate Annual Debt Service on all Outstanding Bonds.

(c) The District will procure and obtain a policy of title insurance from a recognized title insurance company insuring the District for the full cost of acquisition of any real property acquired in fee simple comprising any portion of the Enterprise, excluding any improvements thereon.

(d) The District will procure and maintain public liability insurance covering claims against the District for bodily injury or death, or damage to property occasioned by reason of the ownership or operation of the Enter-

prise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises; provided that such insurance may be effected under a legal self-insurance program.

(e) The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise; provided that such insurance may be effected under a legal self-insurance program.

(f) All policies of insurance required to be maintained herein shall provide that the Fiscal Agent shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby. The Fiscal Agent shall not be responsible for the sufficiency of any insurance herein required.

SECTION 6.08. *Books and Accounts; Financial Statements.*

(a) The District will keep proper books of record and accounts of the Enterprise, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Holders of not less than ten per cent (10%) of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(b) The District will prepare and file with the Fiscal Agent annually within one hundred fifty (150) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1979) so long as any of the Bonds are Outstanding—

(1) an audited statement (prepared in accordance with Generally Accepted Accounting Principles) for the preceding Fiscal Year showing the Revenues, all disbursements from the Revenues and all expenditures applicable to the Enterprise, including the balances in all funds and accounts relating to the Enterprise held by the District and the Fiscal Agent as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund or account during such Fiscal Year and the balances in all such funds and accounts as of the end of such Fiscal Year, which statement shall indicate the manner and extent to which the District has complied with the provisions of the Resolution as it relates to such Revenues, expenditures and funds; and

(2) a detailed statement as to all insurance carried by the District with respect to the Enterprise as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The District will prepare annually not more than one hundred fifty (150) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1979) a summary statement showing the amount of the Revenues and the disbursements from the Revenues, in reasonable detail, for the preceding Fiscal Year, and a general statement of the financial and physical condition of the Enterprise. The District will furnish a copy of such summary statement to any Holder upon request, and will furnish to the Fiscal Agent such reasonable number of copies thereof (not exceeding 100 copies) as may be required by the Fiscal Agent for distribution (at the expense of the District) to investment bankers, security dealers and others interested in the Bonds and to the Holders requesting copies thereof.

SECTION 6.09. *Protection of Security and Rights of Holders.* The District will preserve and protect the security of the Bonds and the rights of the Holders, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Series of Bonds by the District, such Series of Bonds and coupons appertaining thereto shall be incontestable by the District.

SECTION 6.10. *Against Competitive Facilities.* The District will not acquire, construct, operate or maintain, and will not within the scope of its powers permit any other public or private corporation, political subdivision, district or agency or any person whatsoever to acquire, construct, operate or maintain, within the District or any part thereof, any system or utility competitive with the Enterprise.

SECTION 6.11. *Payment of Taxes, Etc.* The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon any Revenues when the same shall become due. The District will duly observe and conform with all valid requirements of any governmental authority relative to the Enterprise or any part thereof, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition and construction of any additions, betterments, extensions or improvements to the Enterprise.

SECTION 6.12. *Collection of Charges.* The District will have in effect at all times an ordinance requiring the owner of any premises located within or without the limits of the District and connected with the Enterprise to pay the rates, fees and charges applicable to the Sewer Service provided or made available to such premises. The District will not permit any part of the Enterprise, or any facility thereof, to be used, or taken advantage of, free of charge by any person, firm or corporation, or by any public agency (including the United States of America, the State of California and any public corporation, political subdivision, city, county, district or agency of any thereof), excepting only that the District may without charge use the services and facilities of the Enterprise.

The District will have in effect at all times while any of the Bonds are outstanding an ordinance providing for such rates, fees and charges, and (unless such charges are to be collected on the tax rolls) providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after such bill becomes delinquent, the District may disconnect such premises from the Enterprise, and such premises shall not be reconnected to the Enterprise until all delinquent bills and penalties have been paid, together with charges for reconnection.

SECTION 6.13. *Eminent Domain Proceeds.* If all or any part of the Enterprise shall be taken by eminent domain proceedings, the net proceeds realized by the District therefrom shall be deposited by the District with the Fiscal Agent in a special fund in trust and applied by the District to the cost of acquiring or constructing additions, betterments, extensions or improvements to the Enterprise if (A) the District first secures and files with the Fiscal Agent an Engineer's Certificate showing (i) the estimated loss in annual Net Revenues, if any, suffered, or to be suffered, by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise then proposed to be acquired or constructed by the District from such proceeds, and (iii) an estimate of the additional Net Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Fiscal Agent, on the basis of such Engineer's Certificate, determines that such additional Net Revenues will sufficiently offset the loss of Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired, which determination shall be final and conclusive. If the foregoing conditions are met,

the District shall then promptly proceed with the acquisition or construction of such additions, betterments, extensions or improvements substantially in accordance with such Engineer's Certificate and payments for such construction shall be made by the Fiscal Agent from such proceeds and from other moneys of the District lawfully available therefor, and any balance of such proceeds not required by the District for the purposes aforesaid shall be deposited in the Revenue Fund. If the foregoing conditions are not met, then such proceeds shall be applied by the Fiscal Agent pro rata to the redemption or purchase of the Bonds of each Series then Outstanding in the proportion which the principal amount of the Outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then Outstanding. If the Fiscal Agent is unable to purchase or redeem Bonds in amounts sufficient to exhaust the available moneys allocable to each such Series, the remainder of such moneys for each such Series shall be held in trust by the Fiscal Agent and applied to the payment of the Bonds of such Series as the same become due by their terms, and, pending such application, such remaining moneys may be invested by the Fiscal Agent in the manner provided in Section 5.04 for the investment of moneys in the Bond Reserve Account.

If such eminent domain proceedings have had no effect, or at most a relatively immaterial effect, upon the Net Revenues and the security of the Bonds, and an Engineer's Certificate to such effect has been filed with the Fiscal Agent, the Fiscal Agent may so determine, which such determination by the Fiscal Agent shall be final and conclusive and, upon notice thereof, the District shall forthwith deposit such proceeds in the Revenue Fund.

SECTION 6.14. *Amount of Charges.*

(a) The District will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Sewer Service so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the order below set forth:

- (1) All Maintenance and Operation Costs of the Enterprise.
- (2) The interest on and principal of and redemption premiums, if any, on the Bonds as they become due and payable.
- (3) All payments required for compliance with the terms of the Resolution and of all Supplemental Resolutions.

(4) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon, or payable from, the Revenues.

(b) In addition to the requirements of the foregoing subsection (a), the District will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Sewer Service so as to yield Net Revenues during the then immediately ensuing period of twelve months equal to at least 1.25 times the Aggregate Annual Debt Service for such period. The District may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce such rates, fees and charges below those then in effect unless the Net Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

SECTION 6.15. *Further Assurances.* The District will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Resolution, and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Resolution.

ARTICLE VII

THE FISCAL AGENT AND THE PAYING AGENTS

SECTION 7.01. *The Fiscal Agent.* The principal office of Wells Fargo Bank, N.A. in San Francisco, California, is hereby appointed Fiscal Agent for the District for the purpose of receiving all moneys which the District is required to deposit with the Fiscal Agent hereunder and to allocate, use and apply the same as provided in the Resolution. The District agrees that it will maintain a Fiscal Agent having a principal office in San Francisco, California, so long as any Bonds are Outstanding.

The District may at any time remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company doing business and having a principal office in San Francisco, California, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such

bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Holders notice by publication of such resignation, which notice shall be published once a week for two successive weeks in a Financial Newspaper of general circulation in San Francisco, California. Upon receiving such notice of resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent.

The Fiscal Agent is hereby authorized to redeem the Bonds and interest coupons appertaining thereto when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds and coupons upon payment thereof and return the same so cancelled to the District.

The District shall from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Fiscal Agent harmless against liabilities not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder.

SECTION 7.02. *The Paying Agents.* The District may appoint Paying Agents for the Bonds of each Series pursuant to Supplemental Resolutions. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the District and to the Fiscal Agent a written acceptance thereof. The District may remove any Paying Agent and any successor thereto, and appoint a successor or successors thereto; *provided, however*, that any such Paying Agent designated by the District shall continue to be a Paying Agent of the District for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds of such Series until the designation of a successor as such Paying Agent.

Each Paying Agent is hereby authorized to redeem Bonds of the Series for which it has been appointed and the interest coupons appertaining thereto when duly presented to it for payment or redemption, which Bonds and interest coupons shall thereafter be delivered to the Fiscal Agent for cancellation and return to the District. The Paying Agents shall keep accurate records of all Bonds and coupons paid and discharged.

SECTION 7.03. *Liability of Agents.* The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and neither the Fiscal Agent nor any Paying Agent assumes any responsibility for the correctness of the same, or makes any representation as to the validity or sufficiency of the Resolution or of the Bonds or coupons, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. Neither the Fiscal Agent nor any Paying Agent shall be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

SECTION 7.04. *Notice to Agents.* The Fiscal Agent and any Paying Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent and any Paying Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

Neither the Fiscal Agent nor any Paying Agent shall be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and this title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Resolution the Fiscal Agent or any Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Fiscal Agent or the Paying Agent, be deemed to be conclusively proved and established by a Certificate of the District and such certificate shall be full

warrant to the Fiscal Agent or the Paying Agent for any action taken or suffered under the provisions of the Resolution or any Supplemental Resolution upon the faith thereof, but in its discretion the Fiscal Agent or any Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

ARTICLE VIII

AMENDMENT OF THE RESOLUTION

SECTION 8.01. *Amendment by Consent of Holders.* The Resolution or any Supplemental Resolution and the rights and obligations of the District and of the Holders of the Bonds and coupons may be modified or amended at any time by a Supplemental Resolution which shall become binding when the written consents of the Holders of sixty per cent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.02, are filed with the Fiscal Agent. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the District to pay the interest or principal or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Bonds required for the written consent to any such amendment or modification, nor modify any of the rights or obligations of the Fiscal Agent without its prior written consent thereto.

The Resolution and the rights and obligations of the District and of the Holders of the Bonds and the coupons may also be modified or amended at any time by a Supplemental Resolution which shall become binding upon adoption, without the consent of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes—

(a) to add to the covenants and agreements of the District in the Resolution contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the District;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision

contained in the Resolution, or in regard to questions arising under the Resolution, as the District may deem necessary or desirable and not inconsistent with the Resolution, and which shall not adversely affect the interests of the Holders; or

(c) to provide for the issuance of a Series of Bonds, and to provide the terms and conditions under which such Series of Bonds may be issued, subject to and in accordance with the provisions of Article II.

SECTION 8.02. *Disqualified Bonds.* Bonds owned or held by or for the account of the District (but excluding Bonds held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for.

SECTION 8.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds shall bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent and at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bond. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall be exchanged at the office of the Fiscal Agent and at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Holder, for Bonds then Outstanding, upon surrender of such Outstanding Bonds with all unmatured coupons appertaining thereto.

SECTION 8.04. *Amendment by Mutual Consent.* The provisions of this article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 9.01. *Events of Default and Acceleration of Maturities.* If one or more of the following events (herein called "events of default") shall happen, that is to say—

(a) if default shall be made in the due and punctual payment of the principal of or redemption premium on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, and such default shall have continued for a period of thirty (30) days;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable, and such default shall have continued for a period of thirty (30) days;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in the Resolution or in any Supplemental Resolution or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Fiscal Agent; or

(d) if the District shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property;

then, and in each and every such case during the continuance of such event of default, the Fiscal Agent, by notice in writing to the District, may, and upon the written request of the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding, shall, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and

payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding.

SECTION 9.02. *Application of Funds Upon Acceleration.* All of the Revenues, and all sums in all of the funds and accounts provided for in Sections 5.01 and 5.03 upon the date of the declaration of acceleration by the Fiscal Agent as provided in Section 9.01, and all Revenues thereafter received by the District hereunder, shall be transmitted to the Fiscal Agent and shall be applied by the Fiscal Agent in the following order—

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants, counsel and engineers, and to the payment of the costs and expenses of the Fiscal Agent, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants, counsel and engineers;

Second, to the payment of the Maintenance and Operation Costs of the Enterprise; and

Third, upon presentation of the several Bonds and coupons, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of six per cent (6%) per annum, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

SECTION 9.03. *Other Remedies of Holders.* Any Holder shall have the right, for the equal benefit and protection of all Holders similarly situated—

(a) by mandamus or other suit or proceeding at law or in equity, to enforce his right against the District and any of the officers and employees of the District and to compel the District or any such officers or employees to perform and carry out their duties under the Law and their agreements with Holders as provided in the Resolution;

(b) by a suit in equity, to require the District to account as the trustee of an express trust; or

(c) by suit in equity, to enjoin any acts or things which are unlawful or violate the rights of the Holders.

SECTION 9.04. *Non-waiver.* Nothing in this article or in any other provision of the Resolution, or in the Bonds or in the coupons, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds and coupons at the respective dates of maturity or upon prior redemption, as herein provided, out of the Net Revenues and other funds herein pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Holders to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and coupons and in the Resolution.

A waiver of any default or breach of duty or contract by any Holder shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of any Holder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Holders by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by such Holders.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder, the District and such Holder shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 9.05. *Actions by Fiscal Agent as Attorney-in-Fact.* Any suit, action or proceeding which any Holder shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Holders similarly situated and the Fiscal Agent is hereby appointed (and the successive respective Holders of the Bonds and interest coupons issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Holders of the Bonds and interest coupons for the purpose of bringing any such suit, action, or proceeding and to do and

perform any and all acts and things for and on behalf of the respective Holders of the Bonds and coupons as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

SECTION 9.06. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE X

DEFEASANCE

SECTION 10.01. *Discharge of Indebtedness.*

(a) If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds and the coupons appertaining thereto the principal and redemption premiums, if any, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution and all Supplemental Resolutions, then the Holders of such Bonds and coupons shall cease to be entitled to the pledge of Revenues and other funds, and all covenants, agreements and other obligations of the District to the Holders of such Bonds and coupons under the Resolution shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Fiscal Agent shall cause an accounting for such period or periods as shall be requested by the District to be prepared and filed with the District and, upon the request of the District shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent and the Paying Agents shall pay over or deliver to the District all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal and redemption premiums, if any, of or interest on Bonds or for the payment of coupons not theretofore surrendered for redemption or payment.

(b) Bonds and coupons for the payment or redemption of which moneys shall have been set aside (through deposit by the District or otherwise) to be held in trust by the Fiscal Agent for such payment or redemption at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in subsection (a) of this section.

(c) All Outstanding Bonds of any Series and all coupons appertaining to such Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Fiscal Agent in form satisfactory to it irrevocable instructions to publish notice of redemption of such Bonds on said date, (2) there shall have been deposited with the Fiscal Agent either money in an amount which shall be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Fiscal Agent at the same time, shall be sufficient to pay when due the principal and redemption premiums, if any, of and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the District shall have given the Fiscal Agent in form satisfactory to it irrevocable instructions to publish, as soon as practicable, once a week for two successive weeks in a Financial Newspaper of general circulation in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in each city in which a Paying Agent has been appointed for the Series of Bonds to be redeemed, a notice to the Holders of such Bonds and coupons that the deposit required by (2) above has been made with the Fiscal Agent and that such Bonds and coupons are deemed to have been paid in accordance with this section and stating such maturity or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

(d) Neither Federal Securities nor money deposited with the Fiscal Agent pursuant to this section or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of and redemption premiums, if any, on such Bonds; provided that any cash received from such principal or interest payments on such Federal Securities

deposited with the Fiscal Agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of and redemption premiums, if any, to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District as received by the Fiscal Agent, free and clear of any trust, lien or pledge. For the purposes of this section, Federal Securities shall mean and include only such securities as are not subject to redemption prior to their maturity.

SECTION 10.02. *Unclaimed Money.* Anything in the Resolution to the contrary notwithstanding, any money held by the Fiscal Agent in trust for the payment and discharge of any of the Bonds or coupons which remains unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money was held by the Fiscal Agent at such date, or for five years after the date of deposit of such money if deposited with the Fiscal Agent after the said date when such Bonds become due and payable, shall, at the Written Request of the District, be repaid by the Fiscal Agent to the District as its absolute property and free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Holders shall look only to the District for the payment of such Bonds and coupons; provided, however, that before being required to make any such payment to the District, the Fiscal Agent shall, at the expense of the District, cause to be published once a week for two successive weeks in a Financial Newspaper of general circulation in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in each city in which a Paying Agent has been appointed for any Series of Bonds, a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such money then unclaimed will be returned to the District.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. *Liability of District Limited to Net Revenues.* Notwithstanding anything in the Resolution contained, the District shall not be

required to advance any money derived from any source of income other than the Net Revenues for the payment of the interest on or the principal of or redemption premiums, if any, on the Bonds or for the performance of any covenants herein contained. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Net Revenues and other funds as in the Resolution provided. The general fund of the District is not liable, and the full faith and credit or taxing power of the District is not pledged, for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds. The Holders of the Bonds, or the coupons thereto appertaining, shall never have the right to compel the forfeiture of any property of the District. The interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall not be a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as in the Resolution provided.

SECTION 11.02. *Validity of the Bonds.* The validity of the authorization and issuance of the Bonds shall not be affected by proceedings taken by the District for the acquisition or construction of additions, betterments, extensions or improvements to the Enterprise, or by contracts made by the District in connection therewith, and any recital contained in the Bonds that the same are issued pursuant to the Law shall be conclusive evidence of their validity and of their issuance in conformity with the Law.

SECTION 11.03. *Benefits of the Resolution Limited to Parties.* Nothing in the Resolution, expressed or implied, is intended to give to any person other than the District, the Treasurer, the Fiscal Agent, the Paying Agents and the Holders of the Bonds and coupons any right, remedy or claim under or by reason of the Resolution. Any covenants, promises or agreements in the Resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the Fiscal Agent and the Paying Agents and the Holders of the Bonds and coupons.

SECTION 11.04. *Successor Is Deemed Included in all References to Predecessor.* Whenever in the Resolution or any Supplemental Resolution

either the District or the Board of Directors or the Treasurer is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the District with respect to the Enterprise, that are presently vested in the District or the Board of Directors or the Treasurer, and all the provisions contained in the Resolution by or on behalf of the District or the Board of Directors or the Treasurer shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 11.05. *Content of Certificates and Opinions.* Every certificate or opinion with respect to compliance with a condition or covenant provided for in the Resolution shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the District may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representation by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the District, upon the certificate or opinion of or representations by an officer or officers of the District, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

SECTION 11.06. *Execution of Documents by Holders.* Any request, declaration or other instrument which the Resolution may require or permit to be executed by Holders may be in one or more instruments of similar

tenor, and shall be executed by Holders in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Holder or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state or territory in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the amount of Bonds transferable by delivery held by any person executing such request, declaration or other instrument or writing as a Holder, and the numbers thereof, and the date of his holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Fiscal Agent, executed by a trust company, bank or other depositary wherever situated, showing that at the date therein mentioned such person had on deposit with such depositary the Bonds described in such certificate. Continued ownership after the date of deposit stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by the depositary that the Bonds therein referred to will not be surrendered without the surrender of the certificate to the depositary, except with the consent of the Fiscal Agent. The Fiscal Agent may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books provided for in Section 3.08.

Any request, declaration or other instrument in writing of the Holder of any Bond shall bind all future Holders of such Bond in respect of anything done or suffered to be done by the District in good faith and in accordance therewith.

SECTION 11.07. *Waiver of Personal Liability.* No member of the Board of Directors or officer or employee of the District shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds; but nothing herein contained shall relieve any such member of the Board of Directors or any such officer or

employee from the performance of any official duty provided by law or the Resolution.

SECTION 11.08. *Publication for Successive Weeks.* Any publication required to be made under the provisions of the Resolution for two successive weeks may be made in each instance upon any business day of the first week and need not be made on the same business day of the succeeding week or in the same newspaper for the second publication, but may be made on different business days or in different newspapers.

SECTION 11.09. *Partial Invalidity.* If any one or more of the covenants or agreements, or portions thereof, provided in the Resolution on the part of the District (or of the Fiscal Agent) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the Resolution or of the Bonds; but the Holders shall retain all the rights and benefits accorded to them under the Law or any other applicable provision of law. The Board of Directors hereby declares that it would have adopted the Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more of the sections, paragraphs, subdivisions, sentences, clauses or phrases of the Resolution or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 11.10. *Destruction of Cancelled Bonds.* Whenever in the Resolution provision is made for the surrender to the District of any Bonds or coupons which have been paid or cancelled pursuant to the provisions of the Resolution, the Fiscal Agent may destroy such Bonds or coupons and furnish to the District a certificate of such destruction.

SECTION 11.11. *Article and Section Headings and References.* The headings or titles of the several articles and sections hereof, and the table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the Resolution.

All references herein to "Articles," "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions of the Resolution; and

the words "herein," "hereof," "hereunder" and other words of similar import refer to the Resolution as a whole and not to any particular article, section or subdivision hereof.

SECTION 11.12. *Funds and Accounts.* Any fund or account required by the Resolution to be established and maintained by the District or the Fiscal Agent may be established and maintained in the accounting records of the District or the Fiscal Agent either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practices and with due regard for the protection of the security of the Bonds and the rights of every Holder thereof.

SECTION 11.13. *Repeal of Inconsistent Resolutions.* Any resolution of the District, and any part of any resolution, inconsistent with the Resolution is hereby repealed to the extent of such inconsistency.

SECTION 11.14. *Effective Date of the Resolution.* The Resolution shall take effect from and after its passage and approval.

PASSED AND ADOPTED on August 14, 1978, by the following vote:

Ayes: Directors Anderson, Boege, Buffington, Tomlinson and Weiss

Noes: None

Absent: None

Approved:

CONRAD E. ANDERSON, M.D.

*President of the Board of Directors
of Union Sanitary District*

(Seal)

Attest:

BYRON R. TOMLINSON

*Secretary of the Board of Directors
of Union Sanitary District*

SECRETARY'S CERTIFICATE

I, Byron R. Tomlinson, Secretary of the Board of Directors of Union Sanitary District, State of California, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of said District duly and regularly and legally held at the regular meeting place thereof on the 14th day of August, 1978, of which meeting all of the members of said Board of Directors had due notice and at which not less than a majority of the members thereof were present and acted; that at said meeting said resolution was, upon motion of Director Tomlinson, seconded by Director Buffington, adopted by the following vote.

Ayes: Directors Anderson, Boege, Buffington, Tomlinson and Weiss

Noes: None

Absent: None

I do hereby further certify that I have carefully compared the same with the minutes of said meeting on file and of record in my office and that said resolution is duly entered of record in said minutes; that the foregoing is a full, true and correct copy of said resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption and is now in full force and effect.

WITNESS my hand and the seal of Union Sanitary District, this 14th day of August, 1978.

BYRON R. TOMLINSON

*Secretary of the Board of Directors
of Union Sanitary District*

(Seal)

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